

STATE OF SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL		
GAAP CLOSING PROCEDURES MANUAL		
CASH AND INVESTMENTS CLOSING PACKAGE	REFERENCE	3.1
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PURPOSE AND OBJECTIVES

Most cash and investments of State agencies are in STARS State Treasurer accounts. There are, however, some exceptions. Examples of such exceptions include petty cash and composite reservoir bank accounts.

The State prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP). GAAP requires that the State's balance sheet show the amount of cash and investments under State control at midnight on June 30. This includes cash and investments on hand, in financial institutions, or held by trustees at June 30. The State's balance sheet should include all:

- o Cash and investments that the State or its agencies own.
- o Cash and investments that the State or its agencies hold as trustee or agent for others.

The Comptroller General's Office will obtain most of the needed cash and investments data from STARS and from the State Treasurer's Office. This closing package will provide the remaining data.

AGENCY ACTION REQUIRED

Complete the attached Cash and Investments Summary Form (GAAP Form 3.1.1) and return it to the Comptroller General's Office no later than July 31. If you can return the Form earlier, please do so.

KEY TERMS

Authorized Balance. Petty cash is reported at the amount authorized by the State Auditor's Office, which may or may not be different from the actual balance on June 30. *Example:* Assume that the State Auditor has authorized your agency to have a petty cash balance of \$100, but on June 30 the actual balance is \$95. On the Cash and Investments Summary Form (GAAP Form 3.1.1), you would report the authorized balance of \$100.

Book Balance. The book balance of a bank account is the balance on your accounting records or in your checkbook on June 30. Your agency should reconcile the book balance with the statement the bank provides. For composite reservoir bank accounts, the composite bank balance per the State Treasurer is a bank balance, not a book balance.

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Cash. STARS includes much of the data the Comptroller General's Office needs regarding cash. For purposes of this closing package, therefore:

- o Cash excludes accounts shown on the STARS General Fund Control and Cash Status Report (CSA 404).
- o Cash includes:
 - Cash on hand (petty cash, for example).
 - Deposits with financial institutions (checking account and composite reservoir account balances, for example). (Also see the definition of Composite Reservoir Bank Accounts.)
 - Cash or deposits your agency holds in a trustee capacity or as an agent for others.

Composite Reservoir Bank Accounts. Some agencies issue their own checks. Most of these agencies have one or several composite reservoir bank accounts. The State Treasurer sets up composite reservoir accounts, but these accounts differ from normal State Treasurer accounts. The State Treasurer writes checks against normal State Treasurer accounts. In a composite reservoir account, an agency writes checks against a pooled balance. The bank keeps available balances invested to the State's benefit until the checks clear. Composite reservoir accounts may carry negative balances.

Fair Value. The fair value of an investment is the amount that the State could reasonably expect to receive for an instrument in a current sale between a willing buyer and a willing seller--that is, other than in a forced or liquidation sale. If it is not shown on the month-end or quarter-end statement for your account, one method of determining the fair value of an investment is to consult a publication that lists the market price of your specific investment at June 30.

Investment. This closing package addresses only those investments that the State Treasurer's Office does not handle. Such investments may include marketable securities, savings accounts, certificates of deposit, money market certificates, or other financial instruments. Insurance policies and other documents that do not represent assets of the State should not be included. Report your agency's investments as

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well as any investments your agency holds as a trustee or agent for others.

ACCOUNTING PRINCIPLES AND POLICIES

Generally Accepted Accounting Principles require that the State's balance sheet include all cash and investments under State control at midnight, June 30. This includes all:

- o Cash and investments that the State or its agencies own.
- o Cash and investments that the State or its agencies hold as trustee or agent for others.

The Treasurer's Office will provide data to the Comptroller General's Office regarding balances under State Treasurer's Office control. Agencies will provide data regarding cash and investments not under direct State Treasurer's Office control. This includes:

- o Petty cash accounts.
- o Composite reservoir bank accounts.
- o All other cash and investment accounts that agencies control.

Agencies will report cash and investments on June 30 that are:

- o On hand.
- o On deposit in financial institutions.
- o Held by a financial institution or other party for the agency or State.

The State's policy is to present its financial statements in accordance with GAAP. GAAP standards relating to the accounting and reporting of investments (see Key Terms) include Governmental Accounting Standards Board (GASB) Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." In accordance with GASB Statement 31, the State values its securities and other instruments held for investment purposes at fair value.

If the fair value of any investment reported in this closing package is based on other than quoted market prices, your agency must disclose the method and significant assumptions used to estimate the fair value.

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WORKING PAPERS

All working papers may be subject to audit. The agency should keep a copy of the completed Cash and Investments Summary Form (GAAP Form 3.1.1). In addition, the agency should keep any documents that support data on that Form. For example:

- o June 30 bank and investment account statements from financial institutions and brokers.
- o Reconciliations between bank statements and book balances shown on the Cash and Investments Summary Form (GAAP Form 3.1.1) for all bank accounts.
- o Listings of securities in investment portfolios, correspondence with brokers, fair value documentation (such as copies of a publication showing an investment's market value on June 30), etc.
- o Correspondence authorizing petty cash accounts.
- o Other related documents.

GENERAL INSTRUCTIONS--CASH AND INVESTMENTS SUMMARY FORM (GAAP FORM 3.1.1)

- o Carefully read the special definitions that apply to this closing package. (See the Key Terms section.)
- o Prepare two or more Forms if there is not enough space on one Form.
- o The Form(s) should show balances as of June 30. For petty cash, enter the authorized balance; for bank cash accounts, enter the book balance; for investments, enter both the reported amount (cost) and the fair value. (see Key Terms). If you used something other than quoted market price information to establish the fair value of an investment, attach to the Form a separate page describing the method and significant assumptions you used.
- o Return the completed Cash and Investments Summary Form (GAAP Form 3.1.1) to the Comptroller General's Office no later than July 31. If you can return it earlier, please do so.

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- o Include any cash or investments on the Form that you have doubts about. Alternatively, call the Central State Financial Reporting Division of the Comptroller General's Office for guidance. It is important to include all cash and investments that meet the definitions of cash or investments in the Key Terms section.
- o The person who completes and signs the Form should keep a copy. The Comptroller General's Office will telephone this person if there are any questions.
- o Exhibit 3.1 (A) shows a sample completed Cash and Investments Summary Form (GAAP Form 3.1.1). Detailed instructions for completing the Form follow the Exhibit.

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STATE OF SOUTH CAROLINA CASH AND INVESTMENTS SUMMARY FORM At June 30, <u>2002</u> (1)						EXHIBIT 3.1 (A)
Agency:	(2)	<u>A99</u>	<u>Sample Agency</u> Name			
Prepared:	(3)	<u>7/15/02</u> Date	By: <u>J. P. Junior</u> Employee Name	Title: <u>Accountant I</u>	Phone: <u>734-1234</u>	
Approved:	(3)	<u>7/15/02</u> Date	By: <u>I.M. Senior</u> Employee Name	Title: <u>Dir. of Accounting</u>	Phone: <u>734-2345</u>	
PETTY CASH ACCOUNTS						
Title/Purpose (5)					Authorized Balance (4)	
<u>Miscellaneous office supplies</u>					<u>\$ 100</u>	
BANK CASH ACCOUNTS						
Financial Institution (6)	Account No. (7)	Purpose/Function of Account (8)			Book Balance (9)	
<u>Wachovia</u>	<u>0115-3536</u>	<u>Composite Reservoir Patient Fds</u>			<u>\$ 6,563</u>	
<u> </u>	<u> </u>	<u> </u>			<u> </u>	
<u> </u>	<u> </u>	<u> </u>			<u> </u>	
ESCROW ACCOUNT ASSOCIATES WITH THE STATE TREASURER'S OFFICE MASTER LEASE PROGRAM						
Financial Institution (10)	Lease ID No. (11)	Description (12)	Amount in Escrow (13)			
<u> </u>	<u> </u>	<u> </u>	<u> </u>			
INVESTMENTS						
Type of Security (14)	Security No. (15)	Description of Investment (16)	Reported Amount (Historical cost) (17)	Fair Value (18)		
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>		
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>		

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COMPLETING THE CASH AND INVESTMENTS SUMMARY FORM (GAAP FORM 3.1.1)

REF

EXPLANATION

- (1) Enter the fiscal year for which this Form applies.
- (2) Enter the agency name and three-character STARS agency code.
- (3) Complete all information regarding preparation of this Form. The Finance Director or Executive Director should approve the Form before sending it to the Comptroller General's Office. Keep a copy of the Form.

PETTY CASH ACCOUNTS.

- (4) Enter the authorized petty cash amount. (This may differ slightly from the amount of petty cash on hand at June 30.)
- (5) Identify the purpose of the petty cash account.

BANK CASH ACCOUNTS.

Include information for composite reservoir bank accounts in this section. (See the definitions of cash, book balance, and composite reservoir bank accounts in the Key Terms section.)

- (6) Enter the name of the financial institution.
- (7) Enter the bank account number.
- (8) Identify the purpose or function of the account.
- (9) Enter the June 30 book balance for the account.

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EXPLANATION

ESCROW ACCOUNTS ASSOCIATED WITH THE STATE TREASURER'S OFFICE MASTER LEASE PROGRAM.

In this section, include information regarding any loan proceeds held in an escrow account at June 30 under the State Treasurer's Office Master Lease Program.

(10) Enter the name of the financial institution.

(11) Enter the Lease ID number(s) your agency uses to identify the loan(s).

(12) Enter a brief description of the equipment.

(13) Enter the amount held in an escrow account at June 30.

INVESTMENTS.

See the definition of investments in the Key Terms section.

(14) Enter the type of security (certificates of deposit, stocks, bonds, etc.).

(15) Enter the security number.

(16) Enter the purpose or function of the investment account.

(17) Report the June 30 investment balance by entering the historical cost of your investment in the Reported Amount column.

(18) Enter the fair value of your investment as of June 30 in the Fair Value column. If you used something other than quoted market price information to establish the fair value of any investment, please attach a separate page describing the method and significant assumptions you used.

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GENERAL INSTRUCTIONS--CASH AND INVESTMENTS CLOSING PACKAGE, REVIEWER
CHECKLIST (GAAP FORM 3.1.2)

- o The purpose of the Reviewer Checklist is to help your agency perform an effective review of the completed closing package forms **before** you submit them to the Comptroller General's Office. An effective review is essential to minimizing closing package errors. As such, it is an important internal control. **Completion of this Checklist is required.**
- o Retain the completed checklist for audit along with your other working papers; **do not** return it to the Comptroller General's Office.
- o Your agency's Finance Director, Executive Director, or another reviewer should complete the Reviewer Checklist. The reviewer **must** be someone other than the preparer.
- o Each question on the Reviewer Checklist is designed so that a "No" answer indicates a potential problem. Generally, when the reviewer responds "No," he/she should return the closing package form to the preparer to be corrected and resubmitted. If you believe that a "No" answer to a particular question is unavoidable or acceptable in your unique situation, however, attach an explanation to the completed checklist and retain it with the completed checklist.
- o This checklist is not all-inclusive. It is designed only to detect the most frequent types of errors. It may not identify all possible errors.
- o Exhibit 3.1(B) shows a sample completed Reviewer Checklist (GAAP Form 3.1.2).

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EXHIBIT

3.1 (B)

REVIEWER CHECKLIST

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FISCAL YEAR 2002

Reviewer's Signature: <i>I. M Senior</i>	
Date Last Review Step Was Completed: <i>July 17, 2002</i>	
REVIEW STEP	YES/NO
Is the reviewer of the cash and investments closing package someone other than the person who prepared it?	Yes
Did the preparer and reviewer <i>sign</i> the cash and investments closing package (not just type or rubber-stamp their names)?	Yes
Did the preparer and reviewer show their titles and telephone numbers?	Yes
Can all amounts reported on the cash and investments closing package be traced back to official agency accounting records or to working papers?	Yes
Do the completed closing package forms reflect implementation of all changes in closing package instructions for this year, if any, that apply to your agency?	Yes
Are differences between the closing package amounts reported in the current-year and those reported last year either (1) small or (2) explained (as to reasons) in working papers retained for audit purposes?	Yes
Did you report all petty cash accounts for your agency?	Yes
Did you report the <u>authorized</u> balance for your petty cash accounts?	Yes
Did your agency report all composite reservoir bank accounts applicable to your agency?	Yes
Did you report the <u>book</u> balance at June 30 for these bank accounts?	Yes
Did you separately identify any cash in escrow associated with the State Treasurer's Office Master Lease Program?	N/A

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REVIEWER CHECKLIST
FISCAL YEAR 2002

EXHIBIT
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REVIEW STEP	YES/NO
Did you report all investments applicable to your agency that are <u>not</u> under the State Treasurer's direct control?	Yes
Did you enter the June 30 balance using the historical <u>cost</u> of the investment in the Reported Amount column?	Yes
Did you enter the June 30 balance using the fair value of the investment in the Fair Value column?	Yes
If you used something other than quoted market price information to establish the fair value of any investment, did you attach a separate page describing the method and significant assumptions you used?	N/A